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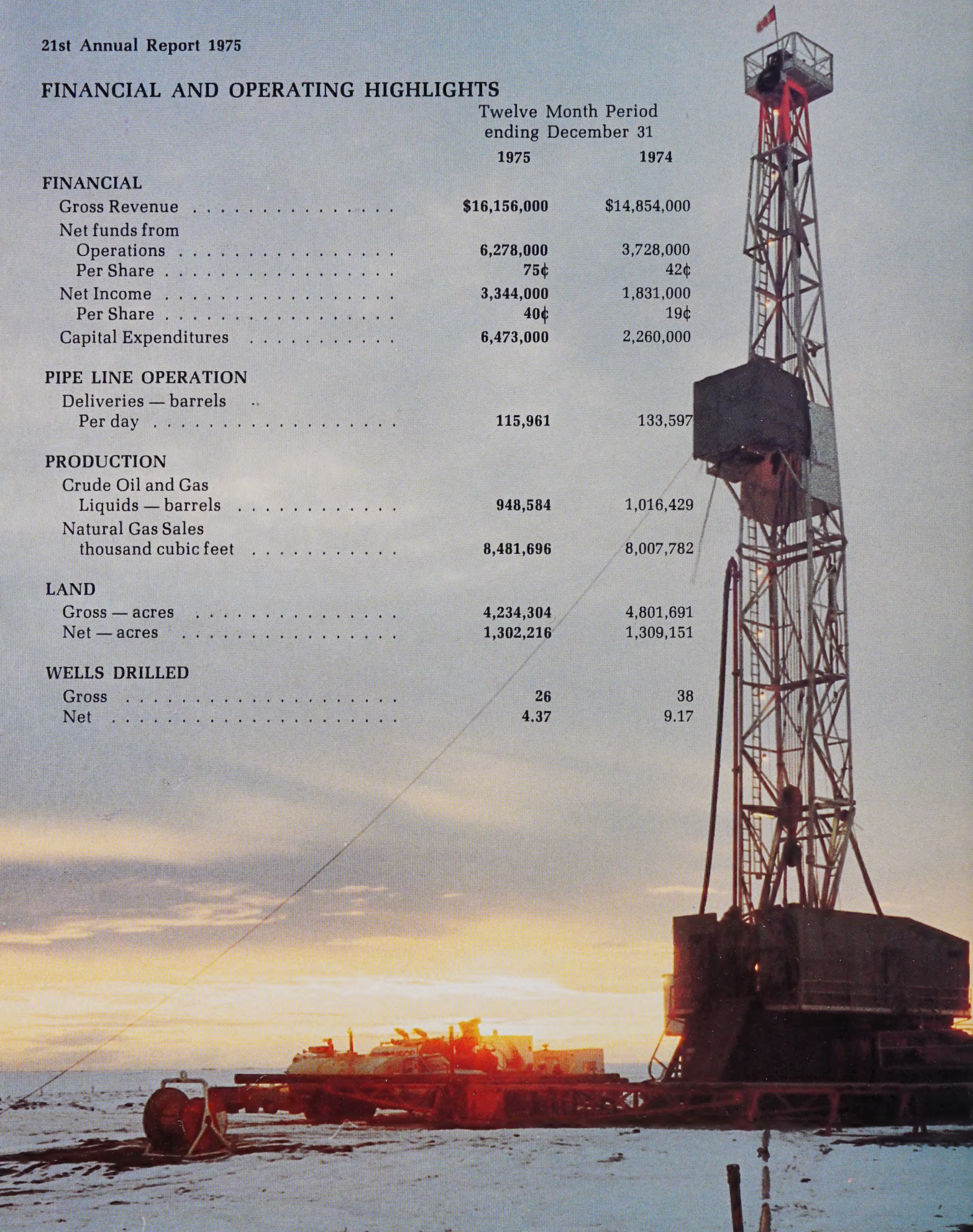
PEMBINA
PIPE LINE LTD.

ANNUAL REPORT for 1975

FINANCIAL AND OPERATING HIGHLIGHTS

	Twelve Month Period ending December 31	
	1975	**1974**
FINANCIAL		
Gross Revenue	**$16,156,000**	$14,854,000
Net funds from Operations	**6,278,000**	3,728,000
Per Share	**75¢**	42¢
Net Income	**3,344,000**	1,831,000
Per Share	**40¢**	19¢
Capital Expenditures	**6,473,000**	2,260,000
PIPE LINE OPERATION		
Deliveries — barrels Per day	**115,961**	133,597
PRODUCTION		
Crude Oil and Gas Liquids — barrels	**948,584**	1,016,429
Natural Gas Sales thousand cubic feet	**8,481,696**	8,007,782
LAND		
Gross — acres	**4,234,304**	4,801,691
Net — acres	**1,302,216**	1,309,151
WELLS DRILLED		
Gross	**26**	38
Net	**4.37**	9.17



Although our exploration activities were curtailed in 1975 due to conditions during most of the year which did not allow sufficient incentive to aggressively pursue exploration activities, the economic viability of operating in Alberta and British Columbia has been enhanced to a more acceptable level. As a result, we are currently involved in a more active exploration program centered in the Alberta Foothills and in North East British Columbia.

Our exploration program in 1976 resulted in discoveries in the Boudreau area of North East British Columbia and in the Saddle Lake and Lac La Biche areas of Alberta. Your Company is also a 10% participant in a gas discovery in the Brazeau area of Alberta.

The introduction of rebates of the export surcharge for natural gas to Alberta producers will have a significant effect on the revenue of Pembina Pipe Line Ltd. in 1976. Gas prices in Alberta are currently at a level which when combined with announced policies of the Federal Government to increase gas prices to a commodity value, make exploration in Alberta a reasonable economic venture. The Government of the Province of British Columbia has taken significant steps to make exploration for natural gas in that province more attractive and it is our intention to increase our activity accordingly.

Your Directors wish to express their sincere and grateful appreciation to the employees for their efforts and loyalty during the past year. Their dedicated support has a direct effect on the success of your Company.

ON BEHALF OF THE BOARD OF DIRECTORS.

T. H. France
President

Calgary, Alberta
March 23, 1976

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FINANCIAL AND OPERATING HIGHLIGHT

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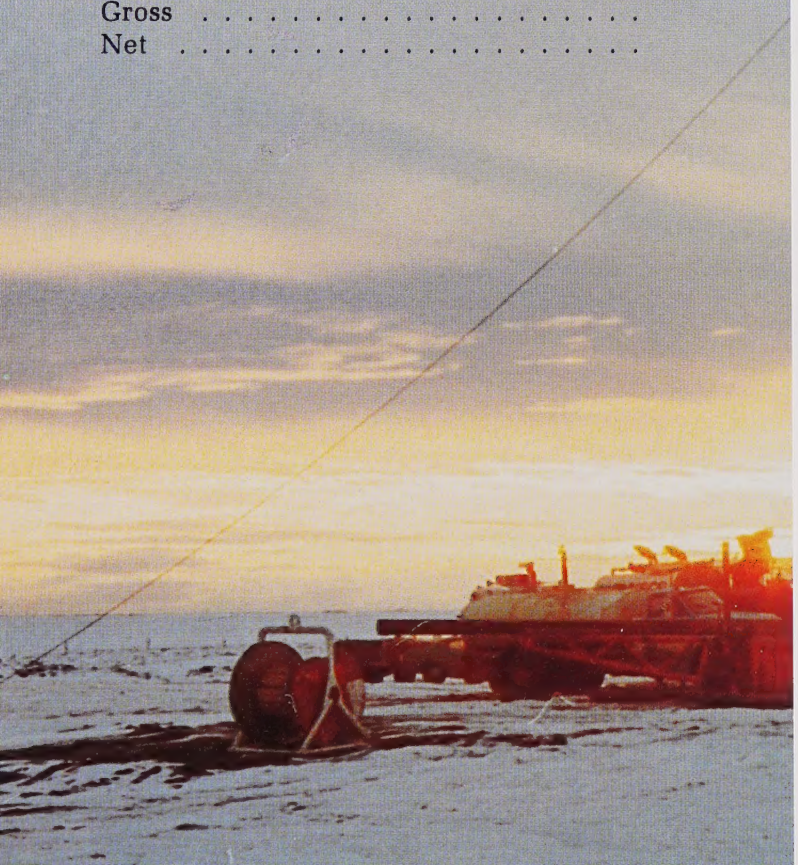
FINANCIAL	
Gross Revenue	$16
Net funds from Operations	6
Per Share	
Net Income	3
Per Share	
Capital Expenditures	6
PIPE LINE OPERATION	
Deliveries — barrels Per day	
PRODUCTION	
Crude Oil and Gas Liquids — barrels	
Natural Gas Sales thousand cubic feet	8
LAND	
Gross — acres	4
Net — acres	1
WELLS DRILLED	
Gross	
Net	



REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS

We submit herewith the Twenty-First Annual Report of Pembina Pipe Line Ltd. for the year ended December 31, 1975.

As a result of increases in the price of crude oil and natural gas, our gross revenue increased to $16,156,000, which is $1,302,000 over 1974. Net funds from operations showed a significant increase in 1975 and were $6,278,000 as compared to $3,728,000 in 1974. Net income increased by eighty-three percent to $3,344,000 from $1,831,000 in 1974. Reduced exploration expenditures contributed significantly to this increase.

Pembina is continuing to experience a decline in pipe line throughputs. The 1975 average of 115,961 barrels per day was a 13.2% reduction from the 1974 average of 133,597. In addition, inflationary pressures contributed to a significant increase in pipe line operating expenses and this cost escalation together with the decline in throughputs caused the Company to increase most of its pipe line tariffs by 2.5¢ per barrel effective February 1, 1976.

Our oil production continued to decline in 1975. Daily production decreased by 7% to 2,599 barrels per day from the 1974 level of 2,785 barrels per day. The most significant declines occurred in Saskatchewan production which declined from 570 barrels per day in 1974 to 260 barrels per day in 1975.

Gas production increased slightly from 21.94 million cubic feet per day in 1974 to 23.24 million cubic feet in 1975. Gas coming on stream from the Laprise and Stoddart areas of British Columbia in late 1975 and from Rigel, also in British Columbia, in early 1976 are expected to increase the 1976 level of production.

As indicated in last year's Annual Report, the Company acquired all of the assets of Cabot Carbon of Canada Ltd. and Cabot Petroleums Limited in 1975 for an aggregate price of $3,100,000. On January 31, 1976, Pembina concluded the purchase of an interest in the Coleman gas field at a cost of $1,840,000.

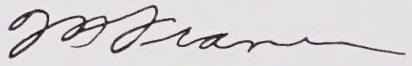
Although our exploration activities were curtailed in 1975 due to conditions during most of the year which did not allow sufficient incentive to aggressively pursue exploration activities, the economic viability of operating in Alberta and British Columbia has been enhanced to a more acceptable level. As a result, we are currently involved in a more active exploration program centered in the Alberta Foothills and in North East British Columbia.

Our exploration program in 1976 resulted in discoveries in the Boudreau area of North East British Columbia and in the Saddle Lake and Lac La Biche areas of Alberta. Your Company is also a 10% participant in a gas discovery in the Brazeau area of Alberta.

The introduction of rebates of the export surcharge for natural gas to Alberta producers will have a significant effect on the revenue of Pembina Pipe Line Ltd. in 1976. Gas prices in Alberta are currently at a level which when combined with announced policies of the Federal Government to increase gas prices to a commodity value, make exploration in Alberta a reasonable economic venture. The Government of the Province of British Columbia has taken significant steps to make exploration for natural gas in that province more attractive and it is our intention to increase our activity accordingly.

Your Directors wish to express their sincere and grateful appreciation to the employees for their efforts and loyalty during the past year. Their dedicated support has a direct effect on the success of your Company.

ON BEHALF OF THE BOARD OF DIRECTORS.



T. H. France
President

Calgary, Alberta
March 23, 1976

PIPE LINE OPERATIONS

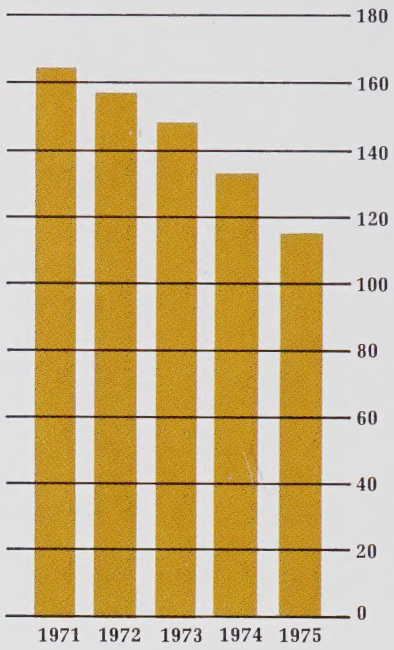
Throughputs of oil from the Pembina and other fields served by the Company continued to decline. Based on engineering estimates, this decline will likely continue in future years but at a reduced rate. The throughput for 1975 was 42,326,000 barrels or 115,961 barrels per day as compared to 48,763,000 barrels or 133,597 barrels per day in 1974.

New facilities added in 1975 included eight miles of four inch pipe line in the Willesden Green area. This addition was added for anticipated increased production in that area.

A comparison of crude oil receipts for fields served is as follows:

FIELD	1975	1974
(Barrels)		
Pembina	**36,286,000**	42,162,000
Willesden Green	**3,914,000**	3,657,000
Bigoray	**292,000**	296,000
Cyn-Pem	**491,000**	1,144,000
Edson	**163,000**	228,000
Niton	**253,000**	299,000
Brazeau (Condensate)	**703,000**	733,000
Nordegg (Condensate)	**187,000**	212,000
Peco	**37,000**	32,000
	42,326,000	48,763,000

AVERAGE
PIPE LINE DELIVERIES
Thousands of Barrels/Day



OIL AND GAS OPERATIONS

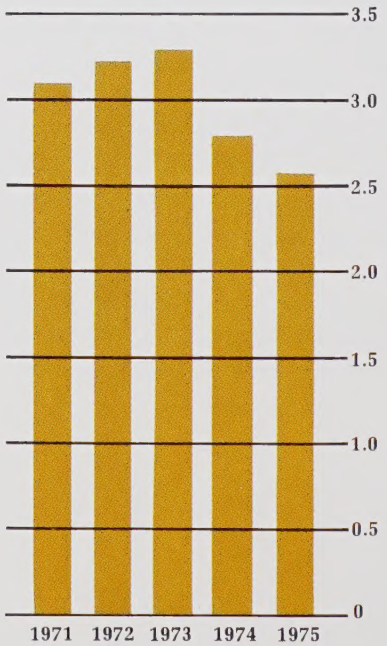
1975 represented a significant year in Pembina's oil and gas operations. The Company placed three gas wells on stream in the North East British Columbia area realizing initial results from a long range exploration program in this area. As a result, our overall gas production increased slightly despite declines from other gas fields. The Company is optimistic that 1976 gas production will show an increase over 1975. We expect that our oil production will continue to decline.

We recently purchased a 5.3% interest in the North Coleman gas field. This addition, along with other acquisitions made earlier this year, has added to the Company's natural gas reserves. The Company is continuing to aggressively pursue the acquisition of suitable oil and gas reserves.

Gross oil production was down slightly while natural gas was up slightly from the 1974 level. Oil production averaged 2,599 barrels per day compared to 2,785 barrels per day for 1974; gas production was 23.24 million cubic feet per day in 1975 while production in 1974 was 21.94 million cubic feet per day.

Decline in oil production was due mainly to reduced demand for Saskatchewan medium gravity crude because of high unit price. This factor will remain with us in the coming year.

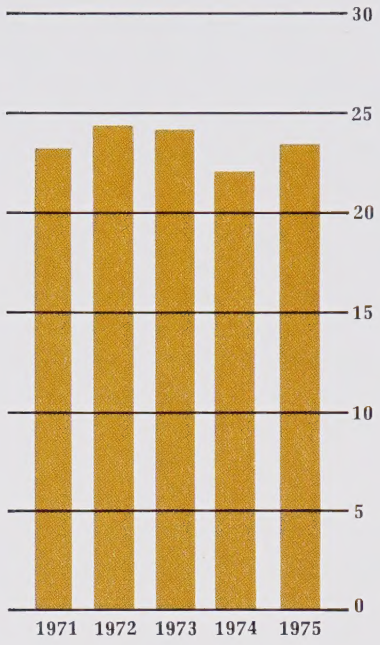
OIL PRODUCTION
Thousands of Barrels/Day



Summary of Production

	1975	1974
Oil		
(Barrels)		
Alberta	767,884	710,153
British Columbia	85,764	98,054
Saskatchewan	94,936	208,222
	948,584	1,016,429
Gas		
(Thousands of Cubic Feet)		
Alberta	7,392,395	7,700,589
British Columbia	1,089,301	307,193
	8,481,696	8,007,782

GAS PRODUCTION
Millions of Cubic Feet/Day



LAND

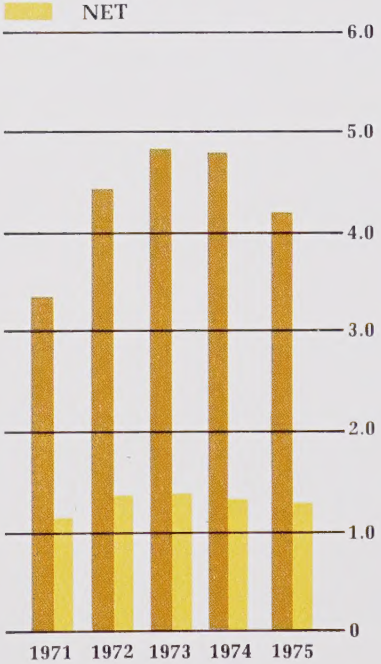
During 1975 gross acres were reduced by 567,387 to a total of 4,234,304; net acres were reduced by 6,935 to 1,302,216. The surrender of Arctic Island acreage after drilling evaluation accounted for the majority of gross acre reduction.

Significant acreage was acquired through purchase and farmin in the Cache Creek, Buick Creek, Gundy Creek and Pickell areas in British Columbia as well as the Brazeau East, Eunice and Shunda areas of Alberta. There was no change from 1974 in our acreage in the Yukon and Northwest Territories.

Summary of Acreage

	1975		1974	
	Gross	Net	Gross	Net
Alberta	1,176,615	383,191	1,170,774	393,952
Saskatchewan	196,340	132,177	200,497	88,458
British Columbia	922,244	350,624	961,233	368,241
NWT & Yukon	896,904	341,242	896,904	341,242
Arctic Islands	1,039,446	94,850	1,572,283	117,258
U.S.A.	2,755	132	—	—
	4,234,304	1,302,216	4,801,691	1,309,151

ACREAGE
Millions of Acres



DRILLING

Pembina participated in the drilling of fourteen exploratory wells and twelve development wells in 1975. Seven of the exploratory wells were farmout wells at no cost to the Company

The exploratory program resulted in six gas wells and eight dry holes while the development program produced two oil wells, eight gas wells and two dry holes.

Most of the successful development wells were in the Majorville and Saddle Lake areas of Alberta and the Rigel area of British Columbia.

Summary of Wells Drilled in 1975

	Oil	Gas	Dry	Total
Exploratory				
Gross	—	6	8	14
Net	—	0.39	1.43	1.82
Development				
Gross	2	8	2	12
Net	0.50	1.00	1.05	2.55
Totals				
Gross	2	14	10	26
Net	0.50	1.39	2.48	4.37

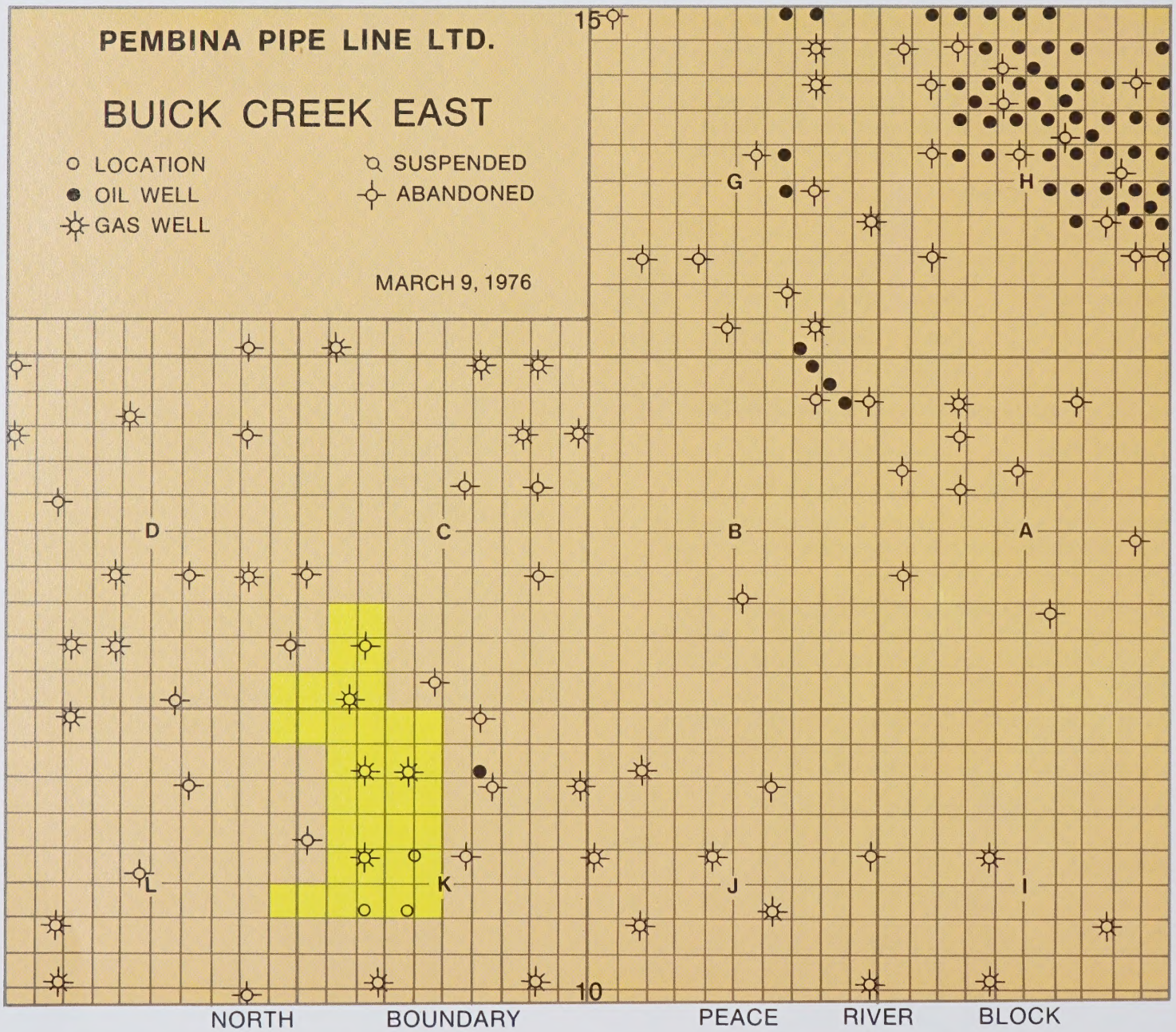
EXPLORATION

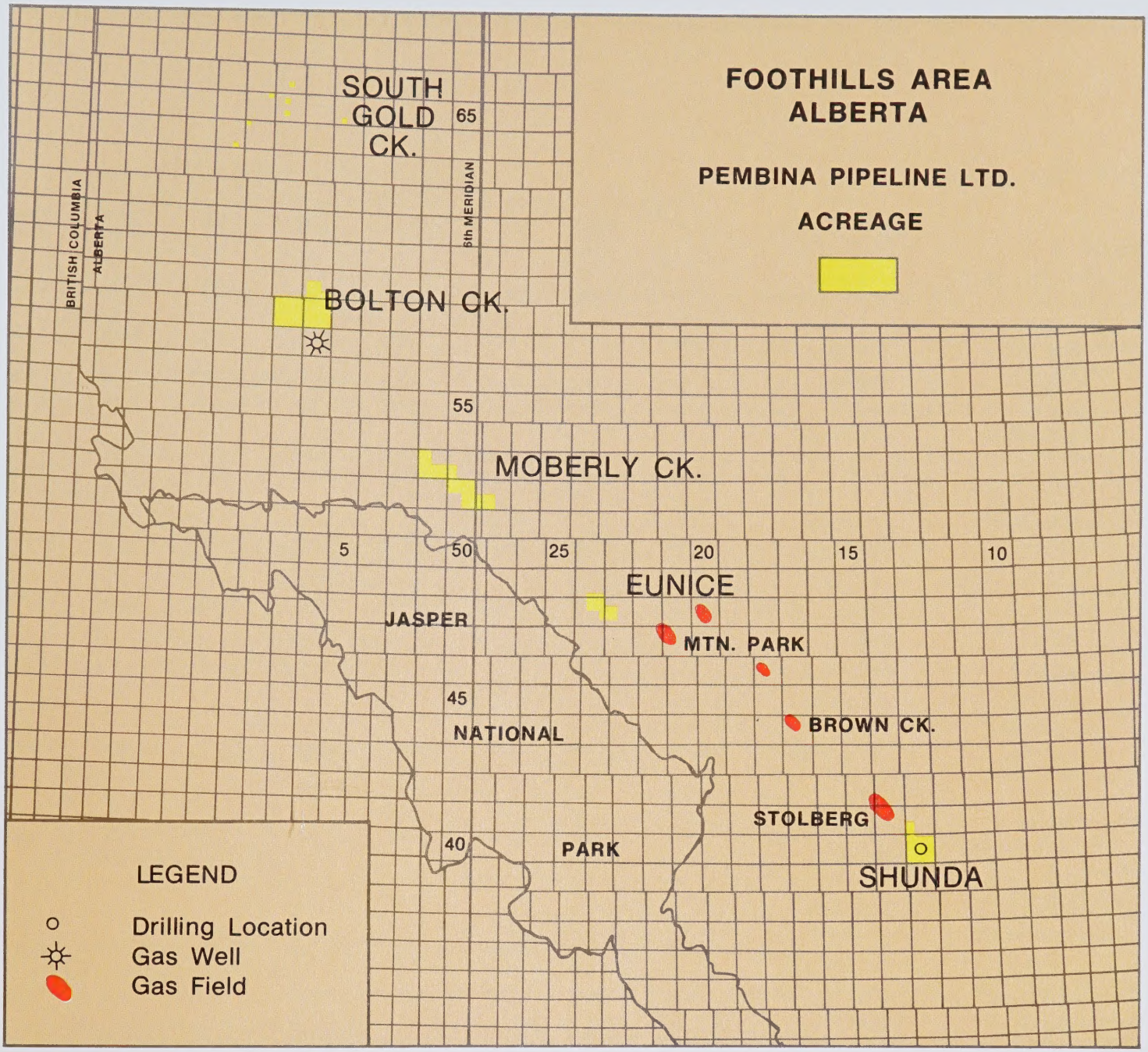
Exploratory programs conducted in Canada covered areas in Alberta and British Columbia with discoveries recorded in both provinces. Unsettled political policies continued into the year with industry activity remaining at a low level. This condition affected Pembina's scheduled activity and has been responsible for the postponement of some drilling projects.

Government policy changes invoked during the latter part of the year, however, have resulted in a strong recovery in exploration activity. A resumption of drilling programs is scheduled in British Columbia, with an active exploration program expected in various areas of Alberta including some highly potential Foothills prospects. Substantial land acquisitions were made in both provinces during 1975.

British Columbia

A gas discovery has been drilled in the Cache Creek area and a follow-up test indicated a successful gas well. Further evaluation of the two wells is planned. This region has been the site of previous gas discoveries and follow-up drilling is programmed for 1976. At Buick Creek East (see map) our land position and gas reserves were increased and we have an ongoing development program. The Helmet area of British Columbia has attracted industry attention and Pembina will be evaluating its holdings in this area in 1976.





Alberta

Prospective lands have been acquired in the Eunice and Shunda areas with drilling currently in progress at Shunda Creek. Our holdings at Bolton Creek have been significantly enhanced with the completion of an offsetting gas discovery drilled by industry (see map).

Acreage has been acquired on a potential gas trend at Brazeau East and a three-well drilling program has commenced.

Additional gas discoveries were made in the shallow gas areas at Lac La Biche and Saddle Lake. The Majorville area of Southern Alberta has been completed in order to assist with prospect delineation. Pembina has a substantial land position in this area.

Arctic Islands

Activity in this region has been limited to a minor participation through Panarctic. No wells were drilled near or on our lands during the year.

Foreign

Pembina participated in the drilling of an offshore test in the Gulf Coast, U.S.A. Although encouraging shows were obtained, no economic reserves were established and the well has been abandoned. The Company has committed to a seismic option program in Brunei, Southeast Asia, with field work now underway. These lands are in proximity to major Tertiary oil fields.

Participation in other prospective regions is being considered as opportunities become available.

Ten Year Review

Financial	1975*	1974*	1973*	1972*	1971*	1970*	1969	1968	1967	1966
(in thousands of dollars)										
Gross revenue	$ 16,156	14,854	14,687	13,465	13,703	12,208	10,146	8,950	8,109	7,478
Net flow of funds from operations	$ 6,278	3,728	5,795	6,126	7,825	7,529	6,348	5,837	5,373	4,666
per common share**	$ .75	.42	.66	.70	.91	.87	3.78	3.47	3.19	2.76
Net income***	$ 3,344	1,831	1,159	2,233	3,252	3,143	2,518	1,735	1,478	1,428
per common share**	$ .40	.19	.11	.23	.36	.34	1.48	1.01	.85	.82
Capital expenditures	$ 6,473	2,260	7,436	4,663	7,493	7,774	3,034	9,867	3,452	3,540
Investment in fixed assets at year end — at cost	$ 80,719	75,601	79,213	76,941	74,217	67,142	59,349	56,475	47,767	45,121
Long term debt less current maturities at year end	$ 4,792	5,792	6,792	7,792	9,826	5,121	6,787	9,041	7,091	8,776

Operations

Pipe Line:										
Average deliveries — barrels per day	115,961	133,597	148,255	157,241	164,937	155,469	130,590	120,970	117,120	114,430
Miles of line built in year	8	4	4	—	10	50	54	6	4	12
Miles of line at year end	1,061	1,053	1,049	1,045	1,045	1,035	985	931	925	921
Oil and Gas:										
Gross Production — Crude oil and natural gas liquids — barrels	948,584	1,016,429	1,197,980	1,183,416	1,128,552	1,110,031	967,724	698,544	358,697	240,674
Natural gas sales — billion cubic feet	8.48	8.01	8.81	8.89	8.51	5.56	5.31	4.98	5.11	4.21
Acreage at year end:										
Gross — acres	4,234,304	4,801,691	4,824,418	4,461,635	3,359,023	3,106,737	2,736,709	1,868,979	1,470,659	1,153,146
Net — acres	1,302,216	1,309,151	1,362,709	1,359,278	1,169,304	1,571,307	1,418,608	1,117,371	1,173,432	892,979
Wells drilled — gross	26	38	53	81	68	50	53	34	13	15
Wells net at year end:										
Oil	70	69	67	65	64	62	59	55	30	23
Gas	78	77	73	72	63	58	53	51	49	46

* The information provided for 1970 and subsequent years is based on twelve months ending December 31, whereas the information pertaining to 1969 and prior years is based on a twelve month period ending November 30.

** The net income and net flow of funds from operations per common share for 1970 and subsequent years are based on the share capital outstanding after giving effect to the amalgamation at March 31, 1971.

***In 1968 a change was made in the method of accounting for deferred income tax credits.

Consolidated Statement of Income

Year Ended December 31, 1975 (with comparative figures for 1974)

	1975	1974
Revenue:		
Revenue from operations	**$16,101,000**	14,547,000
Income from investments	**55,000**	307,000
	16,156,000	14,854,000
Expenses:		
Operating	**5,045,000**	3,973,000
Exploration, non-productive drilling and abandonments	**1,136,000**	2,427,000
Interest on long term debt	**633,000**	817,000
Other interest, net	**32,000**	(257,000)
Amortization of goodwill	**28,000**	22,000
Depreciation and depletion	**2,944,000**	2,855,000
	9,818,000	9,837,000
Income before income taxes	**6,338,000**	5,017,000
Income taxes		
Current	**2,941,000**	4,698,000
Deferred (Note 4)	**53,000**	(1,512,000)
	2,994,000	3,186,000
Net income for the year	**$ 3,344,000**	1,831,000
Net income per common share	**40¢**	19¢

See accompanying notes.

Consolidated Balance Sheet

As at December 31, 1975 (with comparative figures for 1974)

Assets	1975	1974
FIXED ASSETS, AT COST:		
Investment in carrier property, land, leases, wells and other equipment	**$80,719,000**	75,024,000
Less accumulated depreciation, depletion and amortization	**32,548,000**	29,632,000
	48,171,000	45,392,000
Operating oil supply	**577,000**	577,000
	48,748,000	45,969,000
INVESTMENTS, AT COST:		
Bonds and shares of other companies	**254,000**	239,000
CURRENT ASSETS:		
Cash	**19,000**	18,000
Short term deposit receipts, at cost	**570,000**	3,890,000
Accounts receivable:		
Trade accounts	**1,846,000**	1,728,000
Other	**101,000**	77,000
Income tax recoverable	**38,000**	—
Materials and supplies, at cost	**29,000**	26,000
Deposits and prepaid expenses	**99,000**	88,000
	2,702,000	5,827,000
ASSETS HELD BY TRUSTEE (Note 3)	—	4,395,000
OTHER:		
Gas Arctic-Northwest Project Study Group	**2,257,000**	2,402,000
Goodwill and other intangibles, less amounts written off	**314,000**	342,000
	2,571,000	2,744,000
	$54,275,000	59,174,000

On behalf of the Board:

, Director

, Director

Liabilities	1975	1974
LONG TERM DEBT:		
Production loans less current portion (Note 2)	**$ 4,792,000**	5,792,000
CURRENT LIABILITIES:		
Accounts payable and accrued charges	**1,691,000**	783,000
Current income taxes payable	**—**	3,809,000
Production loan payments due within one year	**1,000,000**	1,000,000
	2,691,000	5,592,000
DEFERRED TAXES ON INCOME (Note 4)	**1,897,000**	1,844,000

Shareholders' Equity

CAPITAL STOCK:		
Second Preferred Shares (Note 3)	**—**	4,395,000
Common Shares:		
Class "A" non-voting shares of a par value of $4.15 each		
Authorized: 12,000,000 shares		
Issued: 6,660,128 shares	**27,640,000**	27,640,000
Class "B" voting shares of a par value of $4.15 each		
Authorized: 4,000,000 shares		
Issued: 1,665,032 shares	**6,910,000**	6,910,000
	34,550,000	38,945,000
CAPITAL REDEMPTION RESERVE FUND (Note 5)	**—**	1,450,000
RETAINED EARNINGS	**10,345,000**	5,551,000
	44,895,000	45,946,000
	$54,275,000	59,174,000

See accompanying notes.

Consolidated Statement of Changes in Financial Position

Year Ended December 31, 1975 (with comparative figures for 1974)

	1975	1974
WORKING CAPITAL WAS PROVIDED FROM:		
Net income for the year	**$3,344,000**	1,831,000
Depreciation, depletion, amortization and abandonments	**2,881,000**	3,409,000
Deferred income taxes	**53,000**	(1,512,000)
Provided from operations	**6,278,000**	3,728,000
Production payment from producing properties	**841,000**	5,242,000
Grant in respect of eligible research expenditures as a Participant in Gas Arctic-Northwest Project Study Group	**145,000**	—
Total working capital provided	**7,264,000**	8,970,000
WORKING CAPITAL WAS USED FOR:		
Net additions to carrier property, land, leases, wells and other equipment	**6,473,000**	2,260,000
Investment in shares of other companies	**15,000**	58,000
Expenditures as a Participant in Gas Arctic-Northwest Project Study Group	—	710,000
Cash and preferred shares deposited with Trustee (Note 3)	—	4,395,000
Production loan payments	**1,000,000**	1,000,000
Dividends on Series "A" Second Preferred Shares	—	249,000
Total working capital used	**7,488,000**	8,672,000
Increase (decrease) in working capital	**(224,000)**	298,000
Working capital (deficit) beginning of year	**235,000**	(63,000)
Working capital end of year	**$ 11,000**	235,000

See accompanying notes.

Consolidated Statement of Retained Earnings

Year Ended December 31, 1975 (with comparative figures for 1974)

	1975	1974
Retained earnings beginning of year	**$ 5,551,000**	3,969,000
Net income for the year	**3,344,000**	1,831,000
Transfer from Capital Redemption Reserve Fund (Note 5)	**5,845,000**	—
	14,740,000	5,800,000
Deduct:		
Dividends on 6% cumulative redeemable Series "A" Second Preferred Shares	—	249,000
Appropriation for redemption of Series "A" Second Preferred Shares (Notes 3 and 5)	**4,395,000**	—
	4,395,000	249,000
Retained earnings end of year	**$10,345,000**	5,551,000

See accompanying notes.

Notes to Financial Statements

December 31, 1975

1. ACCOUNTING POLICIES

(a) **Principles of consolidation:**

Included in the consolidated statements are the accounts of all subsidiary companies, each of which is wholly owned.

(b) **Property, plant and equipment:**

All exploration costs and the carrying charges relative to unproven acreage are expensed as incurred. With regard to its oil and gas operations the Company capitalizes only lease acquisition costs, production equipment and drilling costs applicable to productive wells. Lease acquisition costs are charged against income upon surrender and capitalized leasehold and drilling costs associated with producing properties are depleted by the unit of production method based on estimated proven oil and gas reserves. Depreciation of production equipment is computed on a straight line basis at a rate of 7% per annum.

Depreciation of the pipe line system assets is calculated on the unit of production method based upon estimated proven reserves of the fields served at a rate which, in 1975, approximates 4% straightline.

2. PRODUCTION LOANS

Production loans consist of bank loans in the amount of $5,792,000 which mature in 1981 and which bear interest at prevailing current rates being in the range of 10¼% to 11½% during 1975. The required payments in each of the next five years are $1,000,000. These loans are secured by certain of the Company's interests in petroleum and natural gas properties and an assignment of the interest in the gas purchase contracts applicable to the pledged natural gas interest.

3. SECOND PREFERRED SHARES

On January 1, 1975 the Company redeemed at par value of $30 per share the whole of the outstanding Series "A" Second Preferred Shares.

4. INCOME TAXES

For income tax purposes, the Company is entitled to claim drilling, exploration and lease acquisition costs and tax depreciation in amounts which may exceed the related provisions reflected in the accounts. As at the date of amalgamation, March 31, 1971, the Company had an investment in certain assets which exceeded amounts available for income tax purposes. The annual charges for depletion, depreciation and abandonments which relate to these assets ($1,508,000; $1,540,000 in 1974) are expenses which have not been deducted for current income taxes or included in the calculation of deferred taxes on income. Had the aforementioned charges for depletion, depreciation and abandonment been permitted in the computation of deferred taxes, the charge for deferred income taxes would have been decreased by $505,000 in 1975. This would result in a corresponding increase in net income of $505,000 ($550,000 in 1974).

5. CAPITAL REDEMPTION RESERVE FUND

On April 23, 1975 the Supreme Court of Alberta confirmed a special resolution of the Company whereby, pursuant to Section 70 (3) of The Companies Act of Alberta, it was resolved that the capital redemption reserve fund be cancelled and that the assets representing the said fund, to the extent of $5,845,000, may be applied and dealt with as undistributed earnings of the Company. This order was registered with the Registrar of Companies of the Province of Alberta on April 28, 1975 and accordingly the Company has subsequently eliminated the balance of the capital redemption reserve fund in the amount of $5,845,000 and increased retained earnings by a corresponding amount. The amount of $5,845,000 comprises the balance of $1,450,000 of the capital redemption reserve fund at December 31, 1974 together with $4,395,000 transferred to the fund as a result of the redemption of the Series "A" Second Preferred Shares on January 1, 1975.

6. ANTI-INFLATION NOTE

The Company is subject to controls on compensation and dividends instituted by the Federal Government in the Anti-Inflation Act effective October 14, 1975. As a result the Company's ability to increase compensation and to pay dividends subsequent to that date is restricted.

7. REMUNERATION OF DIRECTORS AND OFFICERS

The remuneration paid to Directors and Senior Officers of the Companies for the year ended December 31, 1975 was $265,000 ($254,000 in 1974).

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Pembina Pipe Line Ltd. and its subsidiaries as at December 31, 1975 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company and its subsidiaries as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Calgary, Alberta
March 19, 1976

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

Corporate Information

HEAD OFFICE
300 - 9 Avenue S.W.
Calgary, Alberta
T2P 1K4

FIELD OFFICES
Post Office Box 330
Drayton Valley, Alberta
T0E 0M0

Post Office Box 579
Redcliff, Alberta
T0J 2P0

TRANSFER AGENT AND REGISTRAR
Montreal Trust Company
Calgary, Alberta

BANKERS
The Royal Bank of Canada
Calgary, Alberta

SOLICITORS
Jones, Black, Gain, Stratton
& Laycraft
Calgary, Alberta

AUDITORS
Peat, Marwick, Mitchell & Co.
Calgary, Alberta

Directors

P. G. CLARKE
Calgary, Alberta

T. H. FRANCE
Calgary, Alberta

L. B. GORDON
Calgary, Alberta

D. W. McCLEMENT
Calgary, Alberta

F. P. MANNIX
Calgary, Alberta

A. D. NESBITT
Montreal, Quebec

S. C. WATERS
Calgary, Alberta

Officers and Key Personnel

F. P. MANNIX
Chairman of the Board

T. H. FRANCE
President

G. E. THOMPSON
General Manager

T. PARKS
Manager, Oil & Gas Division

L. E. GANO
Superintendent, Pipe Line Division

O. P. SARABIN
Manager, Business Development

R. POOLE
Controller & Ass't. Treasurer

P. S. CHRISTENSEN
Treasurer

A. A. BISHOP
Secretary

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Lithoed in Canada

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W., CALGARY, ALBERTA

INTERIM REPORT OF PEMBINA PIPE LINE LTD.

for six months ended June 30, 1975

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To the Shareholders

FINANCIAL

Consolidated net earnings for the six months ended June 30, 1975 were $1,649,000 or 19.8¢ per common share. Corresponding earnings for the first six months of 1974 were $891,000 after restatement of earnings to incorporate the legislation originally proposed by the federal budget of November 18, 1974 and resultant provincial amendments, some of which were made retroactive to May 6, 1974. Net flow of funds from operations was $2,794,000 or 33.6¢ per share as compared to $1,605,000 or 17.7¢ per share for the same period in 1974. As indicated in the previous quarterly report, higher oil and gas prices accounted for the increase in revenue and this factor, combined with decreased exploration and a reduction in current income taxes due to the acquisition of resource properties, accounted for the increased net profit and funds flow compared to the previous year.

OPERATIONS

Pipe Line

Average receipts into our pipe line system during the first six months were 118,821 barrels per day which represents a 13.9% decline from the same period last year.

Production and Drilling

Crude oil production averaged 2,400 barrels per day for the first six months of 1975, compared to 2,990 barrels per day for the same period last year. Natural gas production for the first half of 1975 averaged 22.27 million cubic feet per day compared to 22.43 million cubic feet per day for the first half of 1974. The reduction in oil production continues to be primarily due to decreased demand for Saskatchewan production.

Your Company participated in the drilling of thirteen wells during the first six months of 1975. One well was completed as an oil well, eight were completed as gas wells and the other four were dry and abandoned.

Exploration

Gas reserves which were recently discovered in the Rigel area of British Columbia on Pembina 100% lands are presently being evaluated. This testing program will determine if further exploration is warranted in this area. It is expected this gas will be marketed in the last quarter of 1975. In Alberta, drilling is continuing in the Saddle Lake Area.

Currently, your Company is participating in the drilling of a well in the Dogpound area of Alberta.

T. H. France
President

Calgary, Alberta
August 11, 1975.

PEMBINA PIPE LINE LTD.
and Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME

	Six Months Ended June 30 (Unaudited)	
	1975	1974
Revenue:		
Revenue from operations	$7,590,000	7,244,000
Income from investments	49,000	156,000
	7,639,000	7,400,000
Expenses:		
Operating	2,333,000	1,852,000
Exploration, nonproductive drilling and abandonments	483,000	1,298,000
Interest on long term debt	329,000	396,000
Other interest, net	(11,000)	(22,000)
Amortization of goodwill	10,000	11,000
Depreciation and depletion	1,340,000	1,423,000
	4,484,000	4,958,000
Net income before the following	3,155,000	2,442,000
Provision for income taxes	1,506,000	1,551,000
Net income	$1,649,000	891,000
Net income per common share	19.8¢	9.1¢

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	1975	1974
Working capital was provided from:		
Current operations before charges for depreciation, depletion, amortization, abandonments and provision for deferred income taxes	$2,794,000	1,605,000
Production payment from producing properties	841,000	2,757,000
	3,635,000	4,362,000
Working capital was used for:		
Net additions to carrier property, land, leases, wells and other equipment	4,025,000	894,000
Expenditures as a participant in Gas Arctic/Northwest Project Study Group	(145,000)	415,000
Sinking Fund payment	—	300,000
Production loan payments	500,000	500,000
Dividends on Series "A" Second Preferred Shares	—	130,000
	4,380,000	2,239,000
Increase (decrease) in working capital	$ (745,000)	2,123,000